

CONNECTICUT MARINE TRADES ASSOCIATION

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Finance, Revenue, and Bonding Committee
Legislative Office Building
Hartford, CT 06106

Re: **Raised Bill No. 1117 AAC the Taxation of Digital Downloads, Boats and Marijuana, and Expanding the Tax Credits Available Under the Neighborhood Assistance Act.**

Chairmen Fonfara and Widlitz, Senator Frantz, Representative Williams, and Members;

The Connecticut Marine Trades Association (CMTA) and our membership urge you to give your support to **Raised Bill No. 1117 AAC the Taxation of Digital Downloads, Boats and Marijuana, and Expanding the Tax Credits Available Under the Neighborhood Assistance Act.** This initiative is an omnibus package of issues and we ask that you especially endorse Sec. 5 on line 156, which would repeal the 7% luxury tax on vessels that when into effect in 2010.

Connecticut's Recreational Marine Industry truly begins work when a boat is sold. There would be no storage, refitting, repowering, accessorizing, tuning up, test running, repainting, seasonal docking or anything until a boat is sold. And Connecticut's luxury tax has effectively prevented that from happening for vessels in excess of \$100,000, a large market. This is the same buying reaction that occurred when the federal government instituted a similar luxury tax on vessels in January of 1991. Two years later they repealed the tax because it did not generate the revenue anticipated; it just prevented sales.

The US Treasury Department acknowledged that Luxury revenue did not even cover lost income tax revenue from unemployed workers and bankrupt manufacturers. Ten of thousands of jobs were lost in the recreational marine industry alone, where retailers saw a 77% drop in sales. With bipartisan support, the luxury tax was repealed 24 months later. That is what's now happening in Connecticut, sales of larger vessels are at a halt and employment is suffering.

It's our understanding that since the luxury tax inception in 2010 a total of **\$70,000** has been collected according to DRS figures. This is slightly more than a normal sales tax collection on \$1million of larger boats during a time when \$5 -10 or even \$15million in larger boats would have actually been sold. That would have normally generated as much as a potential \$952,500 in sales tax for the state of Connecticut at the normal rate. But the large boats are not selling. Larger boat buyers do not have to buy and won't pay a premium when forced to, the sale just does not happen.

Absent these larger vessel sales and repairs, dockage, renovations, and accessorizing does not happen. That loss of business costs jobs. The Recreational Marine Industry, normally 10,000+ employees strong, has shrunk to less than 5,000 with the decline in product and service sales. Businesses are not expanding when their product lines are not moving, nor can they support a larger payroll, so employment shrinks. That also leads to lower state tax revenue, less income tax generated and less general sales tax collected from fewer employed and spending workers.

We ask you again to support **Raised Bill No. 1117**, and repeal the luxury tax. It's a valuable initiative offering to regenerate revenue and encourage sales of vessels and especially additional outfitting and accessorizing on all vessels within Connecticut. Normal sales taxes on the work can and will be collected. That makes this a true revenue bill, a jobs bill and everyone wins. Thank you for the opportunity to comment on these issues and please know that we are available to discuss them at any time.

Sincerely,

John S. Johnson
Legislative Chair

Grant W. Westerson
President

Linda A. Kowalski
The Kowalski Group